UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2020

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______to ______.

Commission file number 1-16091

POLYONE CORPORATION
(Exact name of registrant as specified in its charter)

Ohio	**34-1730488**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
33587 Walker Road **Avon Lake, Ohio**	**44012**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(440) 930-1000**

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $.01 per share	**POL**	**New York Stock Exchange**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of the registrant's outstanding common shares, par value $.01 per share, as of March 31, 2020 was 91,397,264.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PolyOne Corporation
Condensed Consolidated Statements of Income (Unaudited)
(In millions, except per share data)

	Three Months Ended March 31,	
	2020	2019
Sales	$ 711.5	$ 750.6
Cost of sales	540.0	582.5
Gross margin	171.5	168.1
Selling and administrative expense	118.7	121.0
Operating income	52.8	47.1
Interest expense, net	(9.4)	(15.9)
Other income, net	1.6	0.1
Income from continuing operations before income taxes	45.0	31.3
Income tax expense	(11.9)	(8.8)
Net income from continuing operations	33.1	22.5
(Loss) income from discontinued operations, net of income taxes	(0.3)	15.8
Net income	$ 32.8	$ 38.3
Net income attributable to noncontrolling interests	—	(0.1)
Net income attributable to PolyOne common shareholders	$ 32.8	$ 38.2
Earnings per share attributable to PolyOne common shareholders - Basic:		
Continuing operations	$ 0.38	$ 0.29
Discontinued operations	—	0.20
Total	$ 0.38	$ 0.49
Earnings per share attributable to PolyOne common shareholders - Diluted:		
Continuing operations	$ 0.38	$ 0.29
Discontinued operations	—	0.20
Total	$ 0.38	$ 0.49
Weighted-average shares used to compute earnings per common share:		
Basic	86.3	77.8
Plus dilutive impact of share-based compensation	0.4	0.4
Diluted	86.7	78.2
Anti-dilutive shares not included in diluted common shares outstanding	0.8	0.9
Cash dividends declared per share of common stock	$ 0.2025	$ 0.1950

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net income	$ 32.8	$ 38.3
Other comprehensive (loss) income, net of tax:		
Translation adjustments and related hedging instruments	(7.3)	4.2
Cash flow hedges	(3.4)	(1.0)
Total other comprehensive (loss) income	(10.7)	3.2
Total comprehensive income	22.1	41.5
Comprehensive income attributable to noncontrolling interests	—	(0.1)
Comprehensive income attributable to PolyOne common shareholders	$ 22.1	$ 41.4

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation
Condensed Consolidated Balance Sheets
(In millions)

	(Unaudited) March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,280.2	$ 864.7
Accounts receivable, net	382.4	330.0
Inventories, net	271.1	260.9
Other current assets	56.9	57.7
Total current assets	1,990.6	1,513.3
Property, net	400.8	407.4
Goodwill	684.2	685.7
Intangible assets, net	461.4	469.3
Operating lease assets, net	58.9	63.8
Other non-current assets	146.8	133.8
Total assets	$ 3,742.7	$ 3,273.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term and current portion of long-term debt	$ 18.2	$ 18.4
Accounts payable	329.6	287.7
Current operating lease obligations	19.6	21.0
Accrued expenses and other current liabilities	320.4	375.4
Total current liabilities	687.8	702.5
Non-current liabilities:		
Long-term debt	1,209.7	1,210.9
Pension and other post-retirement benefits	55.9	56.6
Non-current operating lease obligations	39.3	42.8
Other non-current liabilities	211.4	207.8
Total non-current liabilities	1,516.3	1,518.1
SHAREHOLDERS' EQUITY		
PolyOne shareholders’ equity	1,538.6	1,051.9
Noncontrolling interest	—	0.8
Total equity	1,538.6	1,052.7
Total liabilities and equity	$ 3,742.7	$ 3,273.3

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Activities		
Net income	$ 32.8	$ 38.3
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	19.9	23.3
Share-based compensation expense	2.1	2.5
Changes in assets and liabilities, net of the effect of acquisitions:		
Increase in accounts receivable	(56.9)	(53.0)
Increase in inventories	(13.0)	(12.0)
Increase in accounts payable	44.6	1.2
Decrease in pension and other post-retirement benefits	(3.2)	(1.9)
Increase in post-acquisition earnout liabilities	1.0	—
Decrease in accrued expenses and other assets and liabilities, net	(19.1)	(23.1)
Payment of post-acquisition date earnout liability	(21.0)	—
Net cash used by operating activities	(12.8)	(24.7)
Investing Activities		
Capital expenditures	(11.1)	(9.9)
Business acquisitions, net of cash acquired	—	(119.6)
Net proceeds from divestiture	7.1	—
Net proceeds from other assets	5.2	1.6
Net cash provided (used) by investing activities	1.2	(127.9)
Financing Activities		
Borrowings under credit facilities	—	374.7
Repayments under credit facilities	—	(269.2)
Purchase of common shares for treasury	(13.6)	—
Cash dividends paid	(15.6)	(15.6)
Repayment of long-term debt	(2.0)	(1.6)
Payments of withholding tax on share awards	(1.3)	(1.3)
Proceeds from equity offering, net of underwriting discount and issuance costs	496.3	—
Payment of acquisition date earnout liability	(32.9)	—
Net cash provided by financing activities	430.9	87.0
Effect of exchange rate changes on cash	(3.8)	3.0
Increase (decrease) in cash and cash equivalents	415.5	(62.6)
Cash and cash equivalents at beginning of year	864.7	170.9
Cash and cash equivalents at end of period	$ 1,280.2	$ 108.3

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation
Consolidated Statements of Shareholders' Equity (Unaudited)
(In millions)

	Common Shares		Shareholders' Equity							
	Common Shares	**Common Shares Held in Treasury**	**Common Shares**	**Additional Paid-in Capital**	**Retained Earnings**	**Common Shares Held in Treasury**	**Accumulated Other Comprehensive Loss**	**Total PolyOne shareholders' equity**	**Non-controlling Interests**	**Total equity**
Balance at January 1, 2020	122.2	(45.3)	$ 1.2	$ 1,175.2	$ 1,001.2	$ (1,043.1)	$ (82.6)	$ 1,051.9	$ 0.8	$ 1,052.7
Net income	—	—	—	—	32.8	—	—	32.8	—	32.8
Other comprehensive loss	—	—	—	—	—	—	(10.7)	(10.7)	—	(10.7)
Noncontrolling interest activity	—	—	—	—		—	—	—	(0.8)	(0.8)
Cash dividends declared (1)	—	—	—	—	(18.7)	—	—	(18.7)	—	(18.7)
Repurchase of common shares	—	(1.0)	—	—	—	(13.6)	—	(13.6)	—	(13.6)
Common shares equity offering	—	15.3	0.2	334.6	—	161.3	—	496.1	—	496.1
Share-based compensation and exercise of awards	—	0.2	—	(0.5)	—	1.6	—	1.1	—	1.1
Other (2)	—	—	—	—	(0.3)	—	—	(0.3)	—	(0.3)
Balance at March 31, 2020	122.2	(30.8)	$ 1.4	$ 1,509.3	$ 1,015.0	$ (893.8)	$ (93.3)	$ 1,538.6	$ —	$ 1,538.6

(1) Dividends declared per share were $0.2025 for the period ended March 31, 2020.

(2) In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires companies to immediately recognize an estimate of the credit losses that are expected to occur over the life of certain financial instruments. We recognized a cumulative-effect adjustment of $0.3 million to beginning retained earnings upon adoption of this standard on January 1, 2020.

	Common Shares		Shareholders' Equity							
	Common Shares	**Common Shares Held in Treasury**	**Common Shares**	**Additional Paid-in Capital**	**Retained Earnings**	**Common Shares Held in Treasury**	**Accumulated Other Comprehensive (Loss) Income**	**Total PolyOne shareholders' equity**	**Non-controlling Interests**	**Total equity**
Balance at January 1, 2019	122.2	(44.5)	$ 1.2	$ 1,166.9	$ 472.9	$ (1,018.7)	$ (82.3)	$ 540.0	$ 0.6	$ 540.6
Net income	—	—	—	—	38.2	—	—	38.2	0.1	38.3
Other comprehensive gain	—	—	—	—	—	—	3.2	3.2	—	3.2
Cash dividends declared (1)	—	—	—	—	(14.8)	—	—	(14.8)	—	(14.8)
Share-based compensation and exercise of awards	—	0.1	—	0.5	—	1.1	—	1.6	—	1.6
Balance at March 31, 2019	122.2	(44.4)	$ 1.2	$ 1,167.4	$ 496.3	$ (1,017.6)	$ (79.1)	$ 568.2	$ 0.7	$ 568.9

(1) Dividends declared per share were $0.1950 for the period ending March 31, 2019.

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Note 1 — BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Form 10-Q instructions and in the opinion of management contain all adjustments, including those that are normal, recurring and necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2019 of PolyOne Corporation. When used in this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” “PolyOne” and the “Company” mean PolyOne Corporation and its consolidated subsidiaries.

Operating results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be attained in subsequent periods or for the year ending December 31, 2020. Historical information has been retrospectively adjusted to reflect the classification of discontinued operations. Discontinued operations are further discussed in Note 3, *Discontinued Operations*.

Accounting Standards Adopted

On January 1, 2020, the Company adopted ASU 2016-13. ASU 2016-13 changed the impairment model for most financial instruments. Previous guidance required the recognition of credit losses based on an incurred loss impairment methodology that reflects losses once the losses are probable. Under ASU 2016-13, the Company is required to use a current expected credit loss (CECL) model that immediately recognizes an estimate of credit losses that are expected to occur over the life of the financial instruments that are in the scope of the update, including trade receivables. The CECL model uses a broader range of reasonable and supportable information in the development of credit loss estimates. The adoption of ASU 2016-13 resulted in a cumulative-effect adjustment to beginning retained earnings that was not material.

Note 2 — BUSINESS COMBINATIONS

On December 19, 2019, we entered into a definitive share purchase agreement (the Agreement) with Clariant AG, a corporation organized and existing under the laws of Switzerland (Clariant), and through one of our wholly owned subsidiaries, a definitive business transfer agreement (the BTA), with Clariant Chemicals (India) Limited, a public limited company incorporated in India and an indirect majority-owned subsidiary of Clariant (Clariant India). Pursuant to the Agreement, we have agreed to acquire Clariant’s global masterbatch business outside of India, and pursuant to the BTA, we have agreed to purchase Clariant India’s masterbatch business, for a net purchase price of $1.45 billion in cash, subject to customary working capital and net debt adjustments (the businesses are collectively referred to as Clariant Masterbatch (or MB) and the acquisitions are collectively referred to as the Clariant MB Acquisition). Each of the Agreement and the BTA contain certain customary termination rights, and, with respect to the Agreement only, the requirement that PolyOne pay a termination fee in the event the Agreement is terminated under certain conditions. The closing of each acquisition is expected to occur in 2020, subject to the receipt of regulatory approvals, the satisfaction or waiver of customary closing conditions and, in the case of the Clariant India masterbatch acquisition, shareholder approval of Clariant India, which occurred in February. In connection with the Clariant MB Acquisition, on December 19, 2019, we entered into a Commitment Letter with a number of banks (the Commitment Parties), pursuant to which the Commitment Parties have provided a 12-month commitment for a $1.15 billion senior unsecured bridge loan facility (the Bridge Facility) for purposes of funding the Clariant MB Acquisition. The Commitment Parties’ commitments under the Bridge Facility were subsequently reduced on a dollar-for-dollar basis by the net proceeds from the issuance of common shares described below. The Company currently intends to issue new senior unsecured notes in lieu of borrowing under the Bridge Facility. We intend to use (i) a portion of the net proceeds from the sale of our Performance Products and Solutions segment (PP&S), (ii) the net proceeds from the issuance of common shares in an underwritten public offering that we completed in February 2020 and (iii) the net proceeds of an anticipated senior unsecured notes offering to finance the Clariant MB Acquisition, including the payment of related fees and expenses.

Our acquisitions of PlastiComp, Inc. (PlastiComp) on May 31, 2018 and Fiber-Line, LLC (Fiber-Line) on January 2, 2019 involve contingent earnout consideration. The PlastiComp earnout has a ceiling of $35.0 million, which was reached during the first quarter of 2020 and is reflected within *Accrued expenses and other current liabilities* on the

Condensed Consolidated Balance Sheets. The Fiber-Line earnout was paid in the first quarter of 2020. During the three months ended March 31, 2020, earnout charges of $1.0 million were recorded within *Selling and administrative expense* on the Condensed Consolidated Statements of Income, primarily attributable to improved earnings from the acquisitions.

Note 3 — DISCONTINUED OPERATIONS

On October 25, 2019, PolyOne divested its PP&S segment to SK Echo Group S.à r.l.. We received total proceeds from the divestiture of $768.9 million, which were net of cash transaction costs and includes a working capital adjustment of $7.1 million received in the first quarter of 2020. Upon completion of the transaction, we recognized an after-tax gain of $457.7 million during 2019, which is included in the *(Loss) income from discontinued operations, net of income taxes* line of the Condensed Consolidated Statements of Income.

PolyOne has continuing involvement with the former PP&S business following the close of the transaction. The Company entered into a four-year distribution agreement with the former PP&S business to be the exclusive distributor for certain products, under terms that were similar prior to the disposal transaction. PolyOne and the former PP&S business have also entered into contract manufacturing and supply agreements for certain products for a two-year period.

The following table summarizes the major line items constituting pretax income of discontinued operations associated with PP&S for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	**2019**
Sales	$ —	$ 149.3
Cost of sales	—	(121.1)
Selling and administrative expense	(0.4)	(6.9)
(Loss) income of discontinued operations before income taxes	(0.4)	21.3
Income tax expense	0.1	(5.5)
(Loss) income from discontinued operations, net of income taxes	$ (0.3)	$ 15.8

The following table presents the depreciation, amortization, and capital expenditures of our discontinued operations for the three months ended March 31, 2019. No such amounts were recorded for the three months ended March 31, 2020.

(In millions)	**Three Months Ended March 31, 2019**
Depreciation and amortization	$ 3.8
Capital Expenditures	2.5

Note 4 — GOODWILL AND INTANGIBLE ASSETS

Goodwill as of March 31, 2020 and December 31, 2019 and changes in the carrying amount of goodwill by segment were as follows:

(In millions)	**Specialty Engineered Materials**	**Color, Additives and Inks**	**PolyOne Distribution**	**Total**
Balance at December 31, 2019	$ 236.3	$ 447.8	$ 1.6	$ 685.7
Currency translation	(1.0)	(0.5)	—	(1.5)
Balance at March 31, 2020	$ 235.3	$ 447.3	$ 1.6	$ 684.2

Indefinite and finite-lived intangible assets consisted of the following:

	As of March 31, 2020			
(In millions)	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	$ 286.8	$ (92.6)	$ (1.2)	$ 193.0
Patents, technology and other	244.0	(83.4)	(1.7)	158.9
Indefinite-lived trade names	109.5	—	—	109.5
Total	$ 640.3	$ (176.0)	$ (2.9)	$ 461.4

	As of December 31, 2019			
(In millions)	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	$ 286.8	$ (89.1)	$ (1.0)	$ 196.7
Patents, technology and other	244.0	(79.6)	(1.3)	163.1
Indefinite-lived trade names	109.5	—	—	109.5
Total	$ 640.3	$ (168.7)	$ (2.3)	$ 469.3

Note 5 — LEASING ARRANGEMENTS

We lease certain manufacturing facilities, warehouse space, machinery and equipment, vehicles and information technology equipment under operating leases. The majority of our leases are operating leases. Finance leases are immaterial to our condensed consolidated financial statements. Operating lease assets and obligations are reflected within *Operating lease assets, net, Current operating lease obligations,* and *Non-current operating lease obligations,* respectively, on the Condensed Consolidated Balance Sheets.

Lease expense for these leases is recognized on a straight-line basis over the lease term, with variable lease payments recognized in the period those payments are incurred. The components of lease cost from continued operations recognized within our Condensed Consolidated Statements of Income were as follows:

(In millions)	Condensed Consolidated Statements of Income Location	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Lease cost:			
Operating lease cost	Cost of sales	$ 1.8	$ 2.7
Operating lease cost	Selling and administrative expense	4.0	3.1
Other[1]	Selling and administrative expense	0.8	0.1
Total operating lease cost		$ 6.6	$ 5.9

(1) Other lease costs include short-term lease costs and variable lease costs

We often have options to renew lease terms for buildings and other assets. The exercise of lease renewal options are generally at our sole discretion. In addition, certain lease arrangements may be terminated prior to their original expiration date at our discretion. We evaluate renewal and termination options at the lease commencement date to determine if we are reasonably certain to exercise the option on the basis of economic factors. The weighted average remaining lease term for our operating leases as of March 31, 2020 and 2019 was 3.9 and 4.2 years, respectively.

The discount rate implicit within our leases is generally not determinable and, therefore, the Company determines the discount rate based on its incremental borrowing rate. The incremental borrowing rate for our leases is determined based on lease term and currency in which lease payments are made, adjusted for impacts of collateral. The weighted average discount rates used to measure our operating lease liabilities as of March 31, 2020 and 2019 was 4.1% and 5.3%, respectively.

Maturity Analysis of Lease Liabilities:

(In millions)		As of March 31, 2020 Operating Leases
2020	$	17.6
2021		16.5
2022		11.9
2023		8.0
2024		4.3
Thereafter		7.7
Total lease payments		66.0
Less amount of lease payment representing interest		(7.1)
Total present value of lease payments	$	58.9

Note 6 — INVENTORIES, NET

Components of *Inventories, net* are as follows:

(in millions)		As of March 31, 2020		As of December 31, 2019
Finished products	$	165.1	$	157.6
Work in process		9.5		8.0
Raw materials and supplies		96.5		95.3
Inventories, net	$	271.1	$	260.9

Note 7 — PROPERTY, NET

Components of *Property, net* are as follows:

(in millions)		As of March 31, 2020		As of December 31, 2019
Land and land improvements	$	32.3	$	32.8
Buildings		232.1		231.8
Machinery and equipment		745.7		748.9
Property, gross		1,010.1		1,013.5
Less accumulated depreciation		(609.3)		(606.1)
Property, net	$	400.8	$	407.4

Note 8 — INCOME TAXES

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act, among other things, includes certain income tax provisions for individuals and corporations; however, these benefits do not impact the Company’s current tax provision.

We have elected to recognize the tax on the global intangible low-taxed income (GILTI) as a period expense in the period the tax is incurred and we have included a provisional estimate for GILTI in our estimated annual effective tax rate.

During the three months ended March 31, 2020, the Company’s effective tax rate of 26.5% was above the U.S. federal statutory rate of 21.0% primarily due to state taxes (2.2%), foreign withholding tax liability accrued associated with the future repatriation of certain current year foreign earnings (1.7%), certain other non-deductible items (1.4%), and adjustments to deferred tax liabilities (1.1%). These unfavorable items were partially offset by the U.S. research and development credit (1.3%).

During the three months ended March 31, 2019, the Company’s effective tax rate of 28.1% was above the U.S. federal statutory rate of 21.0% primarily due to unfavorable tax effects of foreign valuation allowances (4.0%), tax on GILTI (3.2%), state taxes (1.1%), and certain other non-deductible items (1.5%). These unfavorable items were partially offset by the U.S. research and development credit (1.9%).

Note 9 — FINANCING ARRANGEMENTS

Debt consists of the following instruments:

As of March 31, 2020 (in millions)	Principal Amount	Unamortized discount and debt issuance cost	Net Debt	Weighted average interest rate
Senior secured revolving credit facility due 2022	$ —	$ —	$ —	— %
Senior secured term loan due 2026	622.9	9.3	613.6	3.35 %
5.25% senior notes due 2023	600.0	3.4	596.6	5.25 %
Other Debt	17.7	—	17.7	
Total Debt	1,240.6	12.7	1,227.9	
Less short-term and current portion of long-term debt	18.2	—	18.2	
Total long-term debt, net of current portion	$ 1,222.4	$ 12.7	$ 1,209.7	

As of December 31, 2019 (in millions)	Principal Amount	Unamortized discount and debt issuance cost	Net Debt	Weighted average interest rate
Senior secured revolving credit facility due 2022	$ —	$ —	$ —	3.90 %
Senior secured term loan due 2026	624.5	9.8	614.7	4.01 %
5.25% senior notes due 2023	600.0	3.7	596.3	5.25 %
Other Debt	18.3	—	18.3	
Total Debt	1,242.8	13.5	1,229.3	
Less short-term and current portion of long-term debt	18.4	—	18.4	
Total long-term debt, net of current portion	$ 1,224.4	$ 13.5	$ 1,210.9	

The agreements governing our senior secured revolving credit facility, our senior secured term loan, and the indentures and credit agreements governing other debt, contain a number of customary financial and restrictive covenants that, among other things, limit our ability to: consummate asset sales, incur additional debt or liens, consolidate or merge with any entity or transfer or sell all or substantially all of our assets, pay dividends or make certain other restricted payments, make investments, enter into transactions with affiliates, create dividend or other payment restrictions with respect to subsidiaries, make capital investments and alter the business we conduct. As of March 31, 2020, we were in compliance with all covenants.

The estimated fair value of PolyOne's debt instruments at March 31, 2020 and December 31, 2019 was $1,111.5 million and $1,271.8 million, respectively. The fair value of PolyOne's debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and represent Level 2 measurements within the fair value hierarchy.

Note 10 — SEGMENT INFORMATION

Operating income is the primary measure that is reported to our chief operating decision maker (CODM) for purposes of allocating resources to the segments and assessing their performance. Operating income at the segment level does not include: corporate general and administrative expenses that are not allocated to segments; intersegment sales and profit eliminations; charges related to specific strategic initiatives such as the consolidation of operations; restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phase-in costs; executive separation agreements; share-based compensation costs; asset impairments; environmental remediation costs, along with related gains from insurance recoveries, and other liabilities for facilities no longer owned or closed in prior years; gains and losses on the divestiture of joint ventures and equity investments; actuarial gains and losses associated with our pension and other post-retirement benefit plans; and certain other items that are not included in the measure of segment profit or loss that is reported to and reviewed by our CODM. These costs are included in *Corporate and eliminations*.

PolyOne has three reportable segments: (1) Color, Additives and Inks; (2) Specialty Engineered Materials; and (3) Distribution.

Segment information for the three months ended March 31, 2020 and 2019 is as follows:

(In millions)	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Sales to External Customers	Total Sales	Operating Income	Sales to External Customers	Total Sales	Operating Income
Color, Additives and Inks	$ 255.4	$ 256.5	$ 40.5	$ 262.1	$ 263.3	$ 39.5
Specialty Engineered Materials	169.2	185.3	22.3	175.8	189.9	20.5
Distribution	283.4	289.5	19.4	312.7	317.3	19.5
Corporate and eliminations	3.5	(19.8)	(29.4)	—	(19.9)	(32.4)
Total	$ 711.5	$ 711.5	$ 52.8	$ 750.6	$ 750.6	$ 47.1

(In millions)	Total Assets	
	As of March 31, 2020	As of December 31, 2019
Color, Additives and Inks	$ 1,224.3	$ 1,215.8
Specialty Engineered Materials	774.8	774.0
Distribution	271.0	235.6
Corporate and eliminations	1,472.6	1,047.9
Total assets	$ 3,742.7	$ 3,273.3

Note 11 — COMMITMENTS AND CONTINGENCIES

We have been notified by federal and state environmental agencies and by private parties that we may be a potentially responsible party (PRP) in connection with the environmental investigation and remediation of certain sites. While government agencies frequently assert that PRPs are jointly and severally liable at these sites, in our experience, the interim and final allocations of liability costs are generally made based on the relative contribution of waste. We may also initiate corrective and preventive environmental projects of our own to ensure safe and lawful activities at our operations. We believe that compliance with current governmental regulations at all levels will not have a material adverse effect on our financial position, results of operations or cash flows.

In September 2007, the United States District Court for the Western District of Kentucky (Court) in the case of *Westlake Vinyls, Inc. v. Goodrich Corporation, et al*., held that PolyOne must pay the remediation costs at the former Goodrich Corporation Calvert City facility (now largely owned and operated by Westlake Vinyls, Inc. (Westlake Vinyls)), together with certain defense costs of Goodrich Corporation. The rulings also provided that PolyOne can seek indemnification for contamination attributable to Westlake Vinyls.

Following the rulings, the parties to the litigation agreed to settle all claims regarding past environmental costs incurred at the site. The settlement agreement provides a mechanism to pursue allocation of future remediation costs at the Calvert City site to Westlake Vinyls. We will adjust our accrual, in the future, consistent with any such future allocation of costs. Additionally, we continue to pursue available insurance coverage related to this matter and recognize gains as we receive reimbursement.

The environmental obligation at the site arose as a result of an agreement between The B.F. Goodrich Company (n/k/a Goodrich Corporation) and our predecessor, The Geon Company, at the time of the initial public offering in 1993. Under the agreement, The Geon Company agreed to indemnify Goodrich Corporation for certain environmental costs at the site. Neither PolyOne nor The Geon Company ever operated the facility.

Since 2009, PolyOne, along with respondents Westlake Vinyls, and Goodrich Corporation, have worked with the United States Environmental Protection Agency (USEPA) on the investigation of contamination at the site as well as the evaluation of potential remedies to address the contamination. The USEPA issued its Record of Decision (ROD) in September 2018, selecting a remedy consistent with our accrual assumptions. In April 2019, the respondents signed an Administrative Settlement Agreement and Order on Consent with the USEPA to conduct the remedial actions at the site. In February 2020, the three companies agreed to a draft Consent Decree and draft remedial action Work Plan, which are currently under USEPA review. Our current reserve of $99.6 million is consistent with the USEPA's estimates contained in the ROD.

On March 13, 2013, PolyOne acquired Spartech Corporation (Spartech). One of Spartech's subsidiaries, Franklin-Burlington Plastics, Inc. (Franklin-Burlington), operated a plastic resin compounding facility in Kearny, New Jersey, located adjacent to the Passaic River. The USEPA requested that companies located in the area of the lower Passaic River, including Franklin-Burlington, cooperate in an investigation of contamination of approximately 17 miles of the lower Passaic River Study Area (LPRSA). In response, Franklin-Burlington and approximately 70 other companies (collectively, the Cooperating Parties) agreed, pursuant to an Administrative Order on Consent (AOC) with the USEPA, to assume responsibility for development of a Remedial Investigation and Feasibility Study of the LPRSA. Franklin-Burlington has not admitted to any liability or agreed to bear any other costs for remediation or natural resource damage.

In 2015, the Cooperating Parties submitted to the USEPA a remedial investigation report and feasibility study for the LPRSA and are currently engaged in technical discussions with the USEPA regarding those documents. Neither of those documents contemplates who is responsible for remediation or how such costs might be allocated to PRPs. In March 2016, the USEPA issued a ROD selecting a remedy for an eight-mile portion of the LPRSA at an estimated and discounted cost of $1.4 billion. On March 31, 2016, the USEPA sent a Notice of Potential Liability to over 100 companies, including Franklin-Burlington, and several municipalities for this eight-mile portion. In September 2016, the USEPA reached an agreement with Occidental Chemical Corporation (OCC), which orders OCC to conduct the remedial design for the lower eight-mile portion of the Passaic River. In September 2017, the USEPA sent a letter to over 80 companies, including Franklin-Burlington, indicating that the USEPA would engage the recipients in an allocation process for the lower eight miles of the LPRSA and has engaged a third-party allocator as part of that process. Along with other parties, Franklin-Burlington is participating in the development of this allocation process with the allocator retained by the USEPA, and this process is expected to continue through at least 2020. On June 30, 2018, OCC, independent of the USEPA, filed suit against 100 named entities, including Franklin-Burlington, seeking contribution for past and future costs associated with the remediation of the lower eight-mile portion of the LPRSA.

Based on the currently available information, we have not identified evidence that Franklin-Burlington contributed any of the primary contaminants of concern to the lower Passaic River. A timeline as to when an allocation of the remedial costs may be determined is not yet known and any allocation to Franklin-Burlington has not been determined. As a result of these uncertainties, we are unable to estimate a liability related to this matter and, as of March 31, 2020, we have not accrued for costs of remediation related to the lower Passaic River.

During the three months ended March 31, 2020, PolyOne recognized $0.3 million of expense related to environmental remediation costs, compared to $2.1 million recognized during the three months ended March 31, 2019. During the three months ended March 31, 2020, PolyOne received $0.2 million of insurance recoveries for previously incurred environmental costs. No such reimbursements were recovered during the three months ended March 31, 2019. These expenses and insurance recoveries are included within *Cost of sales* within our Condensed Consolidated Statements of Income. Insurance recoveries are recognized as a gain when received.

Our Condensed Consolidated Balance Sheets include accruals totaling $109.7 million and $112.0 million as of March 31, 2020 and December 31, 2019, respectively, based on our estimates of probable future environmental expenditures relating to previously contaminated sites. These undiscounted amounts are included in *Accrued expenses and other current liabilities* and *Other non-current liabilities* on the accompanying Condensed Consolidated Balance Sheets. The accruals represent our best estimate of probable future costs that we can reasonably estimate, based upon currently available information and technology and our view of the most likely remedy. Depending upon the results of future testing, completion and results of remedial investigation and feasibility studies, the ultimate remediation alternatives undertaken, changes in regulations, technology development, new information, newly discovered conditions and other factors, it is reasonably possible that we could incur additional costs in excess of the amount accrued at March 31, 2020. However, such additional costs, if any, cannot be currently estimated.

Note 12 — DERIVATIVES AND HEDGING

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures we may enter into various derivative transactions. We formally assess, designate and document, as a hedge of an underlying exposure, the qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures. In accordance with ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), that ongoing assessment will be done qualitatively for highly effective relationships.

Net Investment Hedge

During October and December 2018, as a means of mitigating the impact of currency fluctuations on our euro investments in foreign entities, we executed a total of six cross currency swaps, in which we will pay fixed-rate interest in euros and receive fixed-rate interest in U.S. dollars with a combined notional amount of 250.0 million euros and which mature in March 2023. This effectively converts a portion of our U.S. dollar denominated fixed-rate debt to euro denominated fixed-rate debt. That conversion resulted in gains of $2.1 million for the three months ended March 31, 2020 and 2019, respectively. These gains were recognized within *Interest expense, net* within the Condensed Consolidated Statements of Income.

We designated the swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. The changes in fair value of the derivative instruments that are designated and qualify as hedges of net investments in foreign operations are recognized within A*ccumulated Other Comprehensive Income* (AOCI) to offset the changes in the values of the net investment being hedged. For the three months ended March 31, 2020 and 2019, gains of $8.8 million and $4.6 million, respectively, were recognized within translation adjustments in AOCI, net of tax.

Derivatives Designated as Cash Flow Hedging Instruments

In August 2018, we entered into two interest rate swaps with a combined notional amount of $150.0 million to manage the variability of cash flows in the interest rate payments associated with our existing LIBOR-based interest payments, effectively converting $150.0 million of our floating rate debt to a fixed rate. We began to receive floating rate interest payments based upon one-month U.S. dollar LIBOR and in return are obligated to pay interest at a fixed rate of 2.732% until November 2022. We have designated these swap contracts as cash flow hedges pursuant to Accounting Standards Codification Topic 815, *Derivatives and Hedging*. The net interest payments accrued each month for these highly effective hedges are reflected in net income as adjustments of interest expense and the remaining change in the fair value of the derivatives is recorded as a component of AOCI. The amount of expense recognized within *Interest expense, net* in our Condensed Consolidated Statements of Income was $0.4 million and $0.1 million for the three months ended March 31, 2020 and 2019, respectively. For the three months ended March 31, 2020 and 2019, losses of $3.4 million and $1.0 million were recognized in AOCI, net of tax.

All of our derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. We determine the fair value of our derivatives based on valuation methods, which project future cash flows and discount the future amounts present value using market based observable inputs, including interest rate curves and foreign currency rates. The fair value of derivative financial instruments recognized in the Condensed Consolidated Balance Sheets is as follows:

(In millions)	**Balance Sheet Location**	**As of March 31, 2020**	**As of December 31, 2019**
Assets			
Cross Currency Swaps (Net Investment Hedge)	Other non-current assets	$ 26.5	$ 14.7
Liabilities			
Interest Rate Swap (Cash Flow Hedge)	Other non-current liabilities	$ 9.7	$ 5.1

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Business

We are a premier provider of specialized and sustainable polymer materials, and polymer services and solutions. Our products include specialty engineered materials, advanced composites, color and additive systems and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, we have employees at sales, manufacturing and distribution facilities across North America, South America, Europe and Asia. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain capabilities to provide value-added solutions to designers, assemblers and processors of plastics (our customers). When used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," "PolyOne" and the "Company" mean PolyOne Corporation and its consolidated subsidiaries.

Highlights and Executive Summary

A summary of PolyOne's sales, operating income, net income and net income attributable to PolyOne common shareholders follows:

	Three Months Ended March 31,	
(In millions)	**2020**	**2019**
Sales	$ 711.5	$ 750.6
Operating income	52.8	47.1
Net income from continuing operations	33.1	22.5
(Loss) income from discontinued operations, net of income taxes	(0.3)	15.8
Net income	$ 32.8	$ 38.3
Net income attributable to PolyOne common shareholders	$ 32.8	$ 38.2

Recent Developments

COVID-19

We are closely monitoring the impact of the outbreak of COVID-19 on all aspects of our business, including how it will impact our customers, employees, supply chain, and distribution network. While COVID-19 did not have a material adverse effect on our reported results for our first quarter, we are unable to predict the ultimate impact that it may have on our business, future results of operations, financial position or cash flows. The extent to which our operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the outbreak and actions by government authorities to contain the outbreak or treat its impact. Furthermore, the impacts of a potential worsening of global economic conditions and the continued disruptions to and volatility in the financial markets remain unknown.

Clariant MB Acquisition

On December 19, 2019, the Company entered into the Agreement with Clariant, and separately entered into the BTA with Clariant India. Pursuant to the Agreement and the BTA, PolyOne has agreed to acquire the masterbatch businesses of Clariant and Clariant India for a net purchase price of $1.45 billion in cash, subject to customary working capital and net debt adjustments. Each of the Agreement and the BTA contain certain customary termination rights, and, with respect to the Agreement only, the requirement that PolyOne pay a termination fee in the event the Agreement is terminated under certain conditions.

The closing of each acquisition is expected to occur in 2020, subject to the receipt of regulatory approvals, the satisfaction or waiver of customary closing conditions and, in the case of the Clariant India masterbatch acquisition, shareholder approval of Clariant India. Approval by Clariant India shareholders was obtained in February 2020.

We intend to use (i) a portion of the net proceeds from the sale of PP&S, (ii) the net proceeds from the issuance of common shares in an underwritten public offering that we completed in February 2020 and (iii) the net proceeds of an anticipated senior unsecured notes offering to finance the Clariant MB Acquisition, including the payment of related fees and expenses. However, the disruption in the capital markets caused by the COVID-19 outbreak could make any senior unsecured notes financing more challenging, and there can be no assurance that we will be able to obtain such financing on commercially reasonable terms or at all. Refer to "Liquidity" for more information regarding the financing for the Clariant MB Acquisition.

Results of Operations — *The three months ended March 31, 2020 compared to three months ended March 31, 2019:*

	Three Months Ended March 31,		Variances — Favorable (Unfavorable)	
(Dollars in millions, except per share data)	**2020**	**2019**	**Change**	**% Change**
Sales	$ 711.5	$ 750.6	$ (39.1)	(5.2)%
Cost of sales	540.0	582.5	42.5	7.3 %
Gross margin	171.5	168.1	3.4	2.0 %
Selling and administrative expense	118.7	121.0	2.3	1.9 %
Operating income	52.8	47.1	5.7	12.1 %
Interest expense, net	(9.4)	(15.9)	6.5	40.9 %
Other income, net	1.6	0.1	1.5	nm
Income from continuing operations before income taxes	45.0	31.3	13.7	43.8 %
Income tax expense	(11.9)	(8.8)	(3.1)	nm
Net income from continuing operations	33.1	22.5	10.6	47.1 %
(Loss) income from discontinued operations, net of income taxes	(0.3)	15.8	(16.1)	nm
Net income	32.8	38.3	(5.5)	(14.4)%
Net income attributable to noncontrolling interests	—	(0.1)	0.1	nm
Net income attributable to PolyOne common shareholders	$ 32.8	$ 38.2	$ (5.4)	(14.1)%
Earnings per share attributable to PolyOne common shareholders - basic:				
Continuing operations	$ 0.38	$ 0.29		
Discontinued operations	—	0.20		
Total	$ 0.38	$ 0.49		
Earnings per share attributable to PolyOne common shareholders - diluted:				
Continuing operations	$ 0.38	$ 0.29		
Discontinued operations	—	0.20		
Total	$ 0.38	$ 0.49		

nm - not meaningful

Sales

Sales decreased $39.1 million, or 5.2%, in the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Sales growth in North America partially offset challenges experienced in Europe and China due to the COVID-19 outbreak, with a 1.1% reduction due to unfavorable foreign exchange.

Cost of sales

As a percentage of sales, cost of sales decreased from 77.6% in the three months ended March 31, 2019 to 75.9% in the three months ended March 31, 2020, primarily as a result of improved mix and lower raw material costs.

Selling and administrative expense

Selling and administrative expense decreased $2.3 million during the three months ended March 31, 2020 compared to the three months ended March 31, 2019, driven primarily by lower discretionary spending.

Interest expense, net

Interest expense, net decreased $6.5 million during the three months ended March 31, 2020 compared to the three months ended March 31, 2019, due to lower average outstanding variable debt balances as well as interest income earned on cash and cash equivalents from our equity issuance completed in February of 2020.

Income taxes

During the three months ended March 31, 2020, the Company's effective tax rate was 26.5% versus 28.1% for the three months ended March 31, 2019. The income tax rate decrease is primarily due to the lower tax effects of foreign valuation allowances and GILTI tax in the period ended March 31, 2020. Offsetting these favorable effects were higher state income taxes and unfavorable tax on future repatriation of certain current year foreign earnings.

SEGMENT INFORMATION

Operating income is the primary measure that is reported to our chief operating decision maker (CODM) for purposes of allocating resources to the segments and assessing their performance. Operating income at the segment level does not include: corporate general and administrative expenses that are not allocated to segments; intersegment sales and profit eliminations; charges related to specific strategic initiatives such as the consolidation of operations; restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phase-in costs; executive separation agreements; share-based compensation costs; asset impairments; environmental remediation costs, along with related gains from insurance recoveries, and other liabilities for facilities no longer owned or closed in prior years; gains and losses on the divestiture of joint ventures and equity investments; actuarial gains and losses associated with our pension and other post-retirement benefit plans; and certain other items that are not included in the measure of segment profit or loss that is reported to and reviewed by our CODM. These costs are included in *Corporate and eliminations*.

PolyOne has three reportable segments: (1) Color, Additives and Inks; (2) Specialty Engineered Materials; and (3) Distribution. Our segments are further discussed in Note 10, *Segment Information*, to the accompanying condensed consolidated financial statements.

Sales and Operating Income — *The three months ended March 31, 2020 compared to the three months ended March 31, 2019*:

	Three Months Ended March 31,		Variances — Favorable (Unfavorable)	
(Dollars in millions)	**2020**	**2019**	**Change**	**% Change**
Sales:				
Color, Additives and Inks	$ 256.5	$ 263.3	$ (6.8)	(2.6)%
Specialty Engineered Materials	185.3	189.9	(4.6)	(2.4)%
Distribution	289.5	317.3	(27.8)	(8.8)%
Corporate and eliminations	(19.8)	(19.9)	0.1	0.5 %
Total Sales	$ 711.5	$ 750.6	$ (39.1)	(5.2)%
Operating income:				
Color, Additives and Inks	$ 40.5	$ 39.5	$ 1.0	2.5 %
Specialty Engineered Materials	22.3	20.5	1.8	8.8 %
Distribution	19.4	19.5	(0.1)	(0.5)%
Corporate and eliminations	(29.4)	(32.4)	3.0	9.3 %
Total Operating Income	$ 52.8	$ 47.1	$ 5.7	12.1 %
Operating income as a percentage of sales:				
Color, Additives and Inks	15.8 %	15.0 %	0.8	% points
Specialty Engineered Materials	12.0 %	10.8 %	1.2	% points
Distribution	6.7 %	6.1 %	0.6	% points
Total	7.4 %	6.3 %	1.1	% points

<u>Color, Additives and Inks</u>

Sales decreased by $6.8 million, or 2.6%, in the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Gains in the packaging and healthcare end markets, as well as improved pricing and mix, were offset by weakness in the European automotive and North American screen-printing ink end markets as a result of the COVID-19 pandemic. Unfavorable foreign exchange reduced sales by 1.7%.

Operating income increased $1.0 million, or 2.5%, in the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 as the benefit of improved mix, lower raw material input costs, pricing actions, and lower selling, general, and administrative spending more than offset the lower sales. Unfavorable foreign exchange reduced operating income by 2.2%.

Specialty Engineered Materials

Sales decreased $4.6 million, or 2.4%, in the three months ended March 31, 2020 compared to the three months ended March 31, 2019. Sales growth in North America partially offset challenges experienced in Europe and China due to the COVID-19 pandemic and unfavorable foreign exchange of 1.7%.

Operating income increased $1.8 million, or 8.8% in the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 primarily due to margin expansion from raw material deflation and improved mix, partially offset by the impact of the COVID-19 pandemic and weakness in the global transportation end market.

Distribution

Sales decreased $27.8 million, or 8.8%, in the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 due to lower volume and average selling prices.

Operating income decreased $0.1 million in the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 as a result of mix.

Corporate and Eliminations

Corporate and eliminations decreased $3.0 million in the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 primarily as a result of lower environmental remediation and restructuring costs, partially offset by increased acquisition costs related to the Clariant MB Acquisition.

Liquidity and Capital Resources

Our objective is to finance our business through operating cash flow and an appropriate mix of debt and equity. By laddering the maturity structure, we avoid concentrations of debt maturities, reducing liquidity risk. We may from time to time seek to retire or purchase our outstanding debt with cash and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. We may also seek to repurchase our outstanding common shares. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved have been and may continue to be material.

As we cannot predict the duration or scope of the COVID-19 pandemic and its impact on our customers and suppliers, the potential negative financial impact to our results cannot be reasonably estimated, but could be material. We are actively managing the business to maintain cash flow and we have significant liquidity. We believe that these factors will allow us to meet our anticipated funding requirements.

The following table summarizes our liquidity as of March 31, 2020 and December 31, 2019:

(In millions)	As of March 31, 2020	As of December 31, 2019
Cash and cash equivalents	$ 1,280.2	$ 864.7
Revolving credit availability	296.6	281.1
Liquidity	$ 1,576.8	$ 1,145.8

As of March 31, 2020, approximately 19.6% of the Company's cash and cash equivalents resided outside the United States.

In connection with the Clariant MB Acquisition, on December 19, 2019, we entered into a Commitment Letter with the Commitment Parties, pursuant to which the Commitment Parties have provided a 12-month commitment for a $1.15 billion senior unsecured bridge loan facility for purposes of funding the Clariant MB Acquisition. The Commitment Parties' commitments under the Bridge Facility were subsequently reduced on a dollar-for-dollar basis by the net proceeds from the issuance of common shares in an underwritten public offering that we completed in February 2020. The Company currently intends to issue new senior unsecured notes in lieu of borrowing under the Bridge Facility. However, the disruption in the capital markets caused by the COVID-19 outbreak could make any senior unsecured notes financing more challenging, and there can be no assurance that we will be able to obtain such financing on commercially reasonable terms or at all.

Expected sources of cash in 2020 outside of the new senior unsecured notes referenced above include cash from operations and available liquidity under our revolving credit facility, if needed. Outside of the Clariant MB Acquisition, expected uses of cash in 2020 include select specialty acquisitions, interest payments, cash taxes, dividend payments, share repurchases, environmental remediation costs and capital expenditures. Capital expenditures are currently estimated to be approximately $40.0 million in 2020, which has been reduced from our previously disclosed estimate of $65 million as part of our response to the COVID-19 pandemic.

Cash Flows

The following describes the significant components of cash flows from operating, investing and financing activities for the three months ended March 31, 2020 and 2019.

Operating Activities **—** In the three months ended March 31, 2020, net cash used by operating activities was $12.8 million as compared to net cash used by operating activities of $24.7 million for the three months ended March 31, 2019, driven by working capital improvements, partially offset by the payment of the of the post-acquisition Fiber-Line earnout liability of $21 million.

Investing Activities **—** Net cash provided by investing activities during the three months ended March 31, 2020 of $1.2 million primarily reflects receipt of the working capital settlement of $7.1 million related to the PP&S divestiture, as well as $5.2 million cash proceeds from other assets, offset by $11.1 million of capital expenditures.

Net cash used by investing activities during the three months ended March 31, 2019 of $127.9 million reflects $119.6 million for the acquisition of Fiber-Line and $9.9 million of capital expenditures.

Financing Activities **—** Net cash provided by financing activities for the three months ended March 31, 2020 of $430.9 million primarily reflects net proceeds received from the issuance of common shares in an underwritten public offering that we completed in February 2020, offset by $15.6 million of dividends paid, repurchases of our outstanding common shares of $13.6 million, and the payment of the Fiber-Line acquisition date earnout liability of $32.9 million.

Net cash provided by financing activities for the three months ended March 31, 2019 of $87.0 million primarily reflects net borrowings of $105.5 million under our senior secured revolving credit facility, offset by $15.6 million of dividends paid.

Debt

As of March 31, 2020, our principal amount of debt totaled $1,240.6 million. Aggregate maturities of the principal amount of debt for the current year, next five years and thereafter, are as follows:

(In millions)		
2020	$	16.3
2021		7.5
2022		7.2
2023		7.0
2024		607.0
Thereafter		595.6
Aggregate maturities	$	1,240.6

As of March 31, 2020, we were in compliance with all customary financial and restrictive covenants pertaining to our debt. For additional information regarding our debt, please see Note 9, *Financing Arrangements* to the accompanying condensed consolidated financial statements.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, operating leases, pension and post-retirement benefit plans and purchase obligations. During the three months ended March 31, 2020, there were no material changes to these obligations as reported in our Annual Report on Form 10-K for the year ended December 31, 2019.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as "will," “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of future operating or financial condition, performance and/or sales. In particular, these include statements relating to future actions; prospective changes in raw material costs, product pricing or product demand; future performance; estimated capital expenditures; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings and environmental liabilities; and financial results. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged and the availability and cost of credit in the future;
- the effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;
- the current and potential future impact of the COVID-19 pandemic on our business, results of operations, financial position or cash flows;
- changes in polymer consumption growth rates and laws and regulations regarding plastics in jurisdictions where we conduct business;
- fluctuations in raw material prices, quality and supply, and in energy prices and supply;
- production outages or material costs associated with scheduled or unscheduled maintenance programs;
- unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters;
- an inability to achieve the anticipated financial benefit from initiatives related to acquisition integration working capital reductions, cost reductions and employee productivity goals;
- our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
- information systems failures and cyberattacks;
- our ability to consummate and successfully integrate acquisitions, including the Clariant MB Acquisition;
- any material adverse changes in Clariant MB;
- the ability to obtain required regulatory or other third-party approvals and consents and otherwise consummate the Clariant MB Acquisition;
- our ability to achieve the strategic and other objectives relating to the Clariant MB Acquisition, including any expected synergies; and
- other factors described in our Annual Report on Form 10-K for the year ended December 31, 2019 under Item 1A, “Risk Factors.”

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K filed with the Securities and Exchange Commission. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to exposures to market risk as reported in our Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

PolyOne's management, under the supervision of and with the participation of its Chief Executive Officer and its Chief Financial Officer, has evaluated the effectiveness of the design and operation of PolyOne's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based upon this evaluation, PolyOne's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report, its disclosure controls and procedures were effective.

Changes in internal control over financial reporting

There were no changes in PolyOne's internal control over financial reporting during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding certain legal proceedings can be found in Note 11, *Commitments and Contingencies* to the accompanying condensed consolidated financial statements and is incorporated by reference herein.

ITEM 1A. RISK FACTORS

The disclosure below modifies the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. These risks, along with those previously disclosed, could materially adversely affect our business, results of operations, financial position or cash flows.

Risks Relating to COVID-19

The COVID-19 pandemic has had, and is expected to continue to have, an adverse impact on our business, results of operations, financial position and cash flows.

We are closely monitoring the impact of the outbreak of COVID-19 on all aspects of our business, including how it will impact our customers, employees, supply chain, and distribution network. While COVID-19 did not have a material adverse effect on our reported results for our first quarter, we are unable to predict the ultimate impact that it may have on our business, future results of operations, financial position or cash flows. The extent to which our operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the outbreak and actions by government authorities to contain the outbreak or treat its impact. Furthermore, the impacts of a potential worsening of global economic conditions and the continued disruptions to and volatility in the financial markets remain unknown.

The impact of COVID-19 may also exacerbate other risks discussed in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, any of which could have a material effect on us. This situation is changing rapidly and additional impacts may arise that we are not aware of currently.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth information regarding the repurchase of shares of our common shares during the period indicated.

Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program (1)
January 1 to January 31	—	$ —	—	2,107,472
February 1 to February 29	—	—	—	2,107,472
March 1 to March 31	1,000,000	13.58	1,000,000	1,107,472
Total	1,000,000	$ 13.58	1,000,000	

(1) On August 18, 2008, we announced that our Board of Directors approved a common shares repurchase program authorizing PolyOne to purchase up to 10.0 million of its common shares. On October 11, 2011 and October 23, 2012, we further announced that our Board of Directors had increased the common shares repurchase authorization by an additional 5.3 million common shares and 13.2 million common shares, respectively. On May 16, 2016, we announced that we would increase our common share buyback by 7.3 million to 10.0 million. As of March 31, 2020, approximately 1.1 million common shares remained available for purchase under these authorizations. Purchases of common shares may be made by open market purchases or privately negotiated transactions and may be made pursuant to Rule 10b5-1 plans and accelerated share repurchases. The repurchase program has no expiration and may be suspended or discontinued at any time.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Exhibit Description
3.1*	Regulations, as amended on March 13, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 16, 2020, SEC File No. 1-16091)
31.1	Certification of Robert M. Patterson, Chairman, President and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Bradley C. Richardson, Executive Vice President and Chief Financial Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by Robert M. Patterson, Chairman, President and Chief Executive Officer
32.2	Certification pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as signed by Bradley C. Richardson, Executive Vice President and Chief Financial Officer
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

April 21, 2020	POLYONE CORPORATION
	/s/ Bradley C. Richardson
	Bradley C. Richardson Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Robert M. Patterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PolyOne Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 21, 2020

/s/ Robert M. Patterson

Robert M. Patterson
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Bradley C. Richardson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PolyOne Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 21, 2020

/s/ Bradley C. Richardson

Bradley C. Richardson
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PolyOne Corporation (the “Company”) for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert M. Patterson, President and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Robert M. Patterson

Robert M. Patterson
Chairman, President and Chief Executive Officer

April 21, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PolyOne Corporation (the “Company”) for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bradley C. Richardson, Executive Vice President, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Bradley C. Richardson

Bradley C. Richardson
Executive Vice President and Chief Financial Officer

April 21, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.